

## Chapter Two Elements of production and economic units that provide economic activity

### 1 The elements of production

The use of the term means of production indicates the traditional dimension of this term, which appeared especially in the writings of the first economic thinkers, where they used the concept of factors of production influenced by the tangible material nature that was used in industrial institutions at its inception, and therefore relying on it in the era of diversification of resources gives a kind of The failure to indicate the true meaning of the direct and indirect means of production, as it neglects the non-sensual factors that sometimes play a role that outweighs the role of material means. as follows

- **Internal resources:** They are represented in various material and non-material means, tangible and intangible, that are subject to the control and management of the institution, which consist of material capabilities (equipment, buildings, movable resources and production requirements), and non-material (competencies, experience, reputation of the institution, programs and organization,) financial (internal and external funding sources);

- **External resources:**

It is the sum of resources that are not subject to the control of the institution, and it is related to the geographical location of the institution and the components of its surroundings: from infrastructure and its proximity to it, and it is also represented in natural resources (such as lands, forests, minerals and water), because these capabilities have a significant impact on the institution's inputs and outputs, in addition to To the resources generated by the intervention of public authorities and local bodies, such as state interventions to encourage or restrain activities, we will talk in some detail on most of the aforementioned institution's resources.

#### ⊖ **Physical resources (physical capital)**

**Physical resources include devices, equipment, buildings, supplies, etc.**

Physical capital is divided into two parts, the first is known as fixed capital and the second as variable capital. Fixed capital is used many times in production without a change in its technical structure. As for variable capital, it is used for one time in production, and is included in the composition of the commodity or The service that is produced, and fixed capital is called productive assets, such as machines, equipment, and buildings used, while variable capital includes raw and intermediate materials and driving energy.

**⌘ Financial resources (cash capital)**

“Cash capital is what takes the form of money, shares and bonds issued by companies for subscription,” in addition to the internal sources of financing that the institution may rely on completely without resorting to external financing.

**⌘ Natural Resources:**

Such as the lands and what is above it of plant and animal wealth, and what is beneath it of minerals and energy resources.

**⌘ Human resources (employment):**

Work is considered one of the most important elements in production, as it includes in its economic sense every mental or physical voluntary effort that leads to the creation or increase of benefit. And the engineer and the teacher with the services of the worker and the farmer, and excludes every non-economic human effort that is not directed to production, such as the exercise of sports.

**⌘ Information and knowledge resources (competencies and programs)**

Management scholars are interested in the information and knowledge resources available as an important resource. "Currently, it is seen that brains are the secret of excellence, and therefore excellence in the next stage will be for countries that have the highest percentage of workers who possess knowledge."

**⌘ Organization:**

The aforementioned factors of production cannot come together on their own to produce a specific commodity, so there must be a person or group of people who undertake the task of combining production factors in certain quantities for the purpose of production.

By the organizers, we do not mean the managers of the economic institutions or their senior employees, as they do a specific work in return for a wage they receive, whether the project achieves profits or incurs losses, but we mean by the organizer that person or persons to whom profits accrue in the event of success of the project or losses in the event of its failure.

#### **⌘ Public resources (licenses, infrastructure and the intertwining of its elements)**

There is another unforeseen resource, not included in most references; relates to two aspects; The first is the resources generated by the intervention of public authorities and local bodies; State interventions to encourage or curb activities such as licenses, commercial registrations, etc.;

The second aspect is related to the institution's proximity to the infrastructure elements, the quality of the latter and the intertwining of its elements.

## **2- Economic units, economic agents that provide economic activity**

The economic agent is every natural or legal person engaged in an economic activity.

Economic agents are classified into groups called sectors, which are:

#### **❖ Families:**

Families are the basic cell of society. Its main activity is the consumption of goods and services.

Families consist of families or a group of people who live normally with each other and under one roof. Each person who lives alone can also be considered as a family.

The family's activities are:

Using part of her income for consumer spending (goods and services)

She saves the rest of her income.

Investing her savings.

- Taxes and fees are paid to the administrations (state)

❖ Economic institutions (companies):

Economic institutions are companies that are based on collecting material and human means with coordination among them for the purpose of producing goods and services (creating benefits) in order to sell them in order to make a profit.

Economic institutions can be divided according to the nature of ownership into:

Private institutions.

Public institutions

Mixed institutions

The activity of economic institutions is limited to:

- Producing goods and services by mixing material and human means and selling them in the market, and this activity is considered the main activity of the institutions.

- It invests in order to renew the means of production or expand its activity.

Pay taxes and fees to the state.



 financial institutions:

They are institutions that collect the savings of economic agents and present them in the form of loans to other economic agents in return for interest and achieve profits from their financial operations.

Examples of financial institutions include banks of all kinds, insurance companies, etc., and their activities are summarized in:

Collecting the savings from other economic agents

Provides loans to economic agents in exchange for interest.

Taxes and fees are paid to the state treasury.

Consumer goods and services.

### **Public administrations:**

They are organizations that provide free (non-market) public services to families, such as safe education, justice...etc., and we give their expenses through tax revenues, and their activities are summarized in:

- Providing services to community members.
- Revenues are obtained in the form of taxes and fees from other economic agents.
- Goods and services purchased from economic institutions are consumed.
- invest in different fields.

### outside (the outside world)

It represents the various economic agents (heterogeneous) who are outside the country and have economic relations with the economic agents in the given country. This sector is also called the rest of the world.

The activity of the outside world is summarized in:

- Export and import of goods and services
- Transfer of capital to the outside world.